



The Real Estate ANALYST

AUGUST 31
1953

Volume XXII

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values ... Current Studies ... Survey ... Forecast

Number 37

Copyright 1953 by ROY WENZLICK & CO. - Saint Louis
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

MORTGAGE ACTIVITY IN 100 CITIES

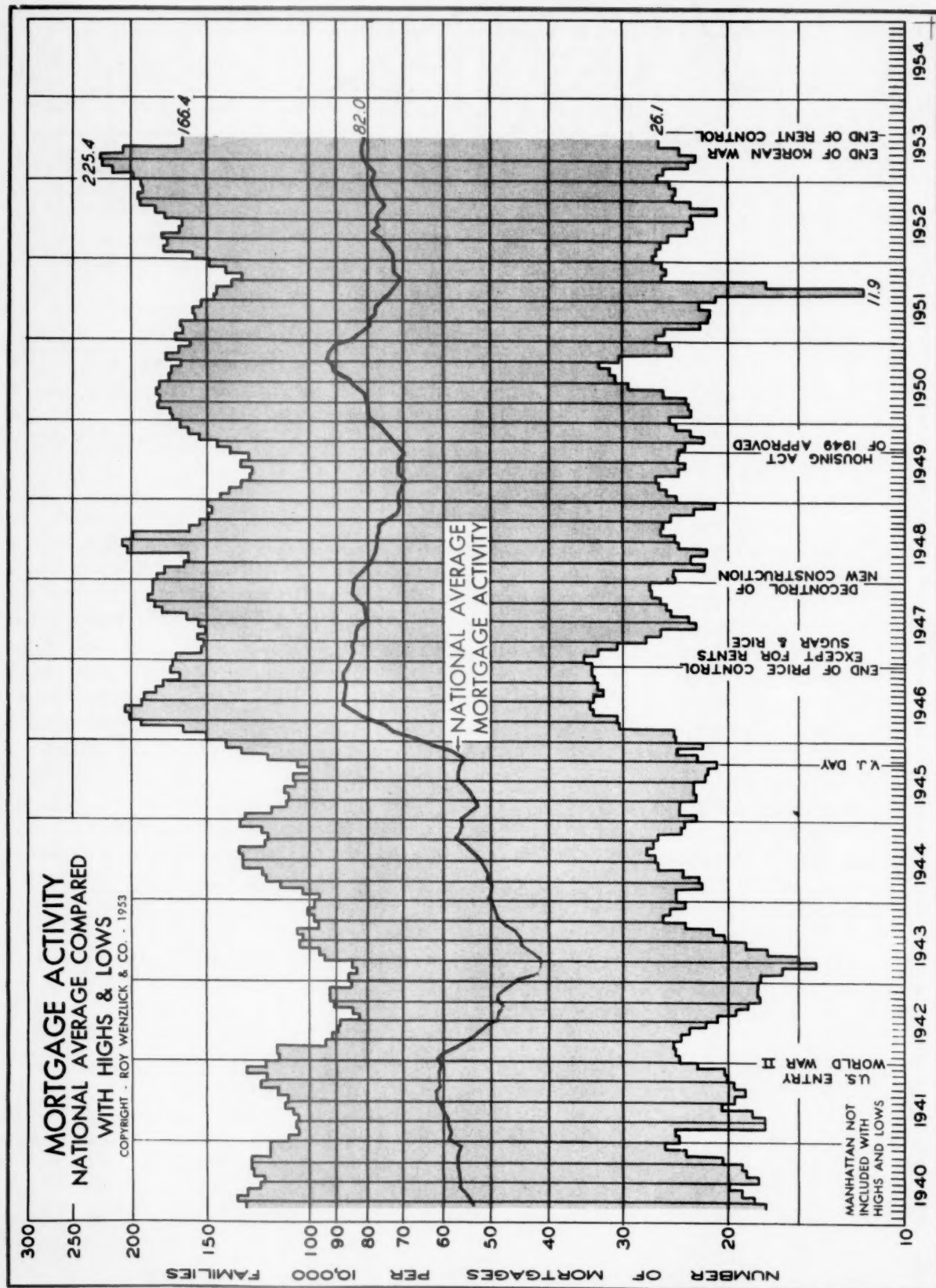
IN 1932 we first charted mortgage activity in one city (St. Louis). In successive years the number of cities on which we compiled mortgage information has constantly increased. In September 1952 we charted 70 cities, and in the current report we are charting mortgage activity in 100 cities.

Perhaps the most startling aspect of this series of charts on mortgage activity is the wide differences in the mortgage rate in the various cities. In each city the rate has been computed as the number of mortgages recorded per 10,000 families per month. In some cities the rate is as much as 10 times the rate in other cities. This is shown rather strikingly by the chart on page 330, on which the top boundary line of the shaded area shows the highest rate of mortgage activity reached during the month in any of the 100 cities. The bottom line on this chart shows the lowest level reached during the month in any of the 100 cities (Manhattan Island is not included in this chart), and the red line on the chart shows the average rate of mortgage recordings in all 100 cities. During the last month shown on the chart, June 1953, the highest rate of any city was 166.4 mortgage recordings per month per 10,000 families. This is equivalent to one mortgage being recorded per year for each five families in the city. For June 1953 the average of all cities was 82.0, and this is equivalent to one mortgage being recorded per year for each 10 families in a city. The lowest city, exclusive of the borough of Manhattan, New York, had one recording per year for each 32 families, and on Manhattan Island there was only one mortgage recorded per year for each 128 families.

The very small number of mortgage recordings on Manhattan Island is easily explained by the fact that Manhattan Island is built up almost entirely with large office buildings and apartments.

The charts on pages 331 through 340 show the trends in mortgage recordings by months from 1940 to the present, city by city, for the 100 cities on which we now have computed figures. On each of these charts the blue line shows the rate in the city itself in comparison with the red line which shows the average of the 100 cities.

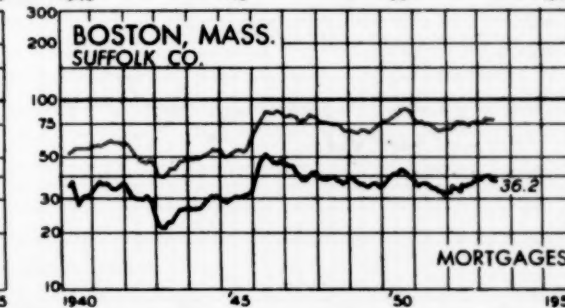
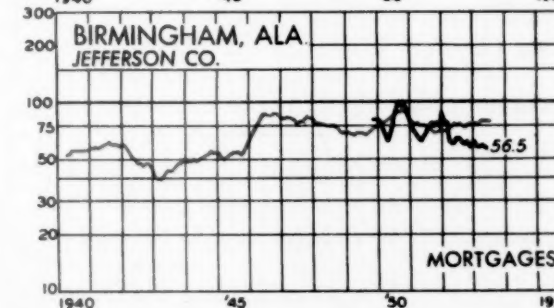
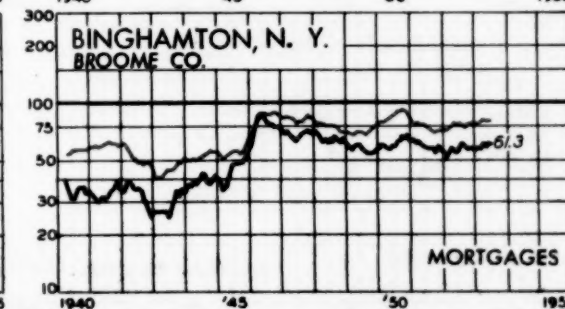
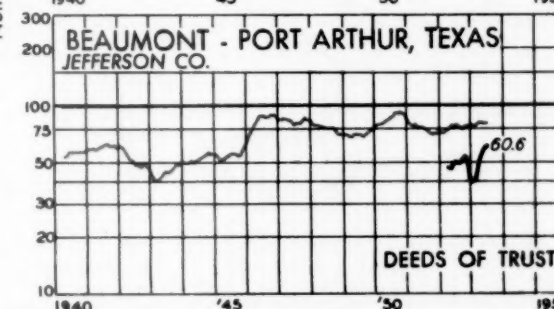
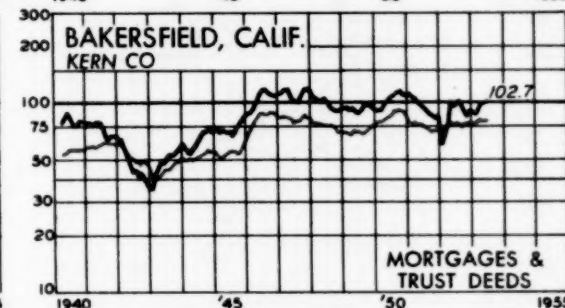
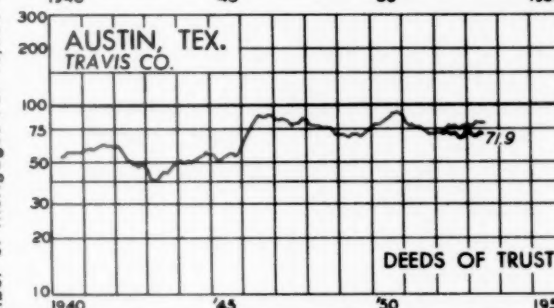
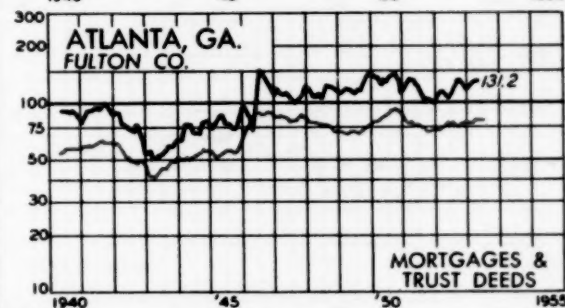
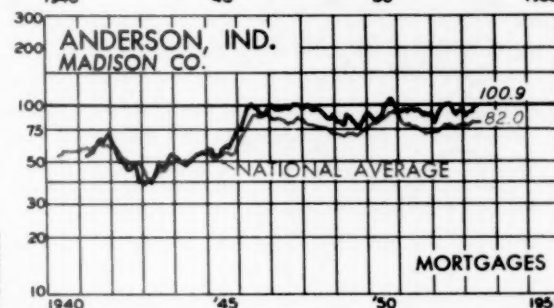
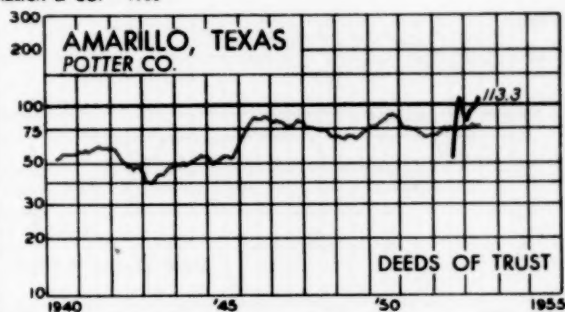
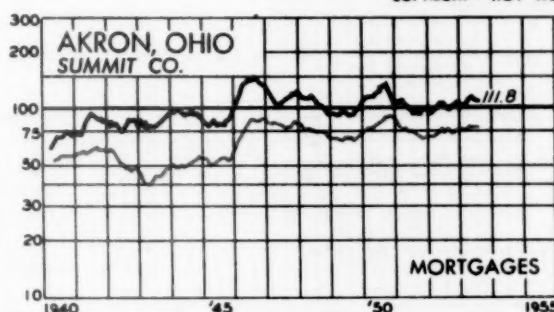
Why is there the great difference in the rate of mortgage recordings in the various cities of the United States? Why would some cities have 10 times as
(cont. on page 341)



MORTGAGE ACTIVITY IN PRINCIPAL CITIES

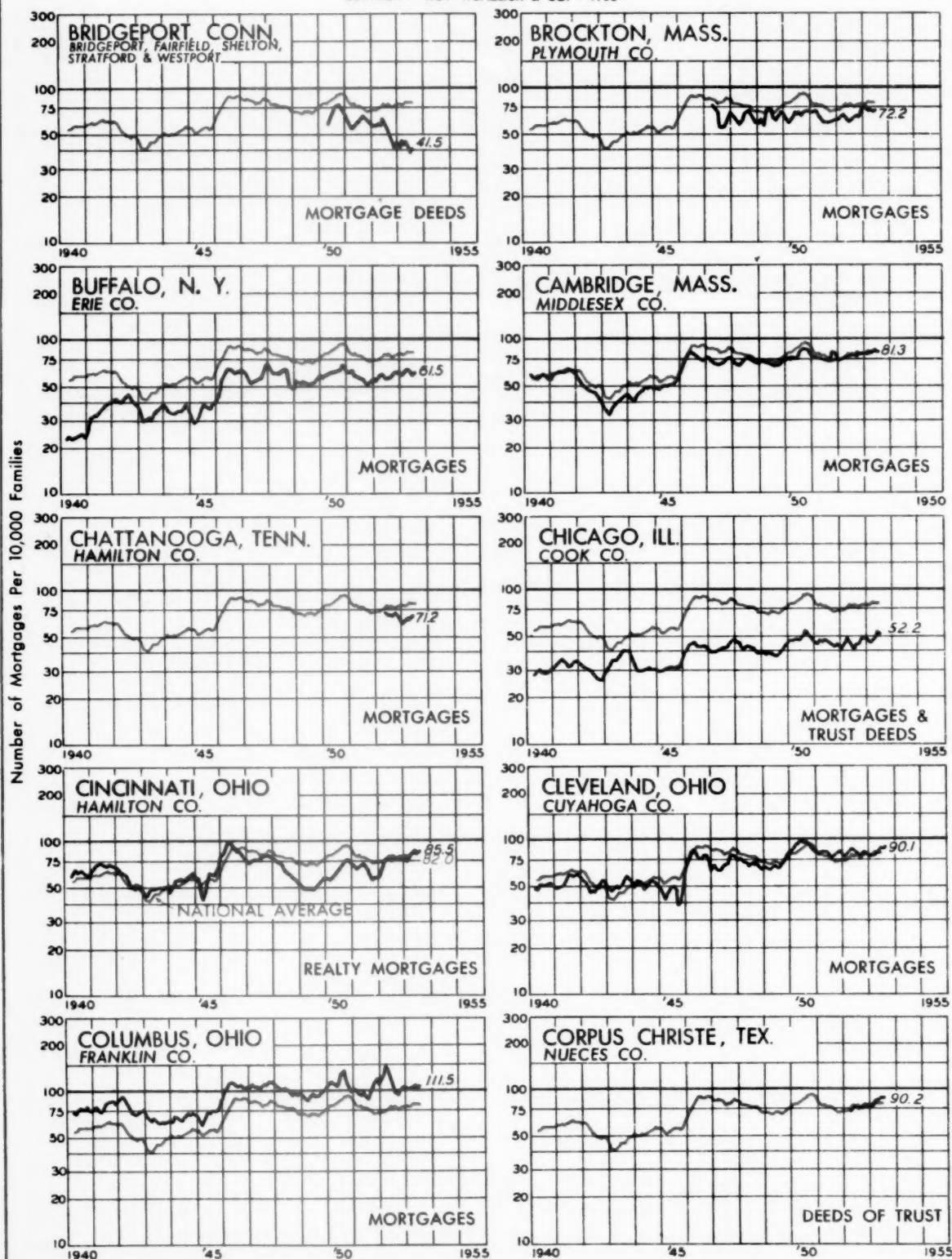
COPYRIGHT - ROY WENZLUCK & CO. 1953

Number of Mortgages Per 10,000 Families



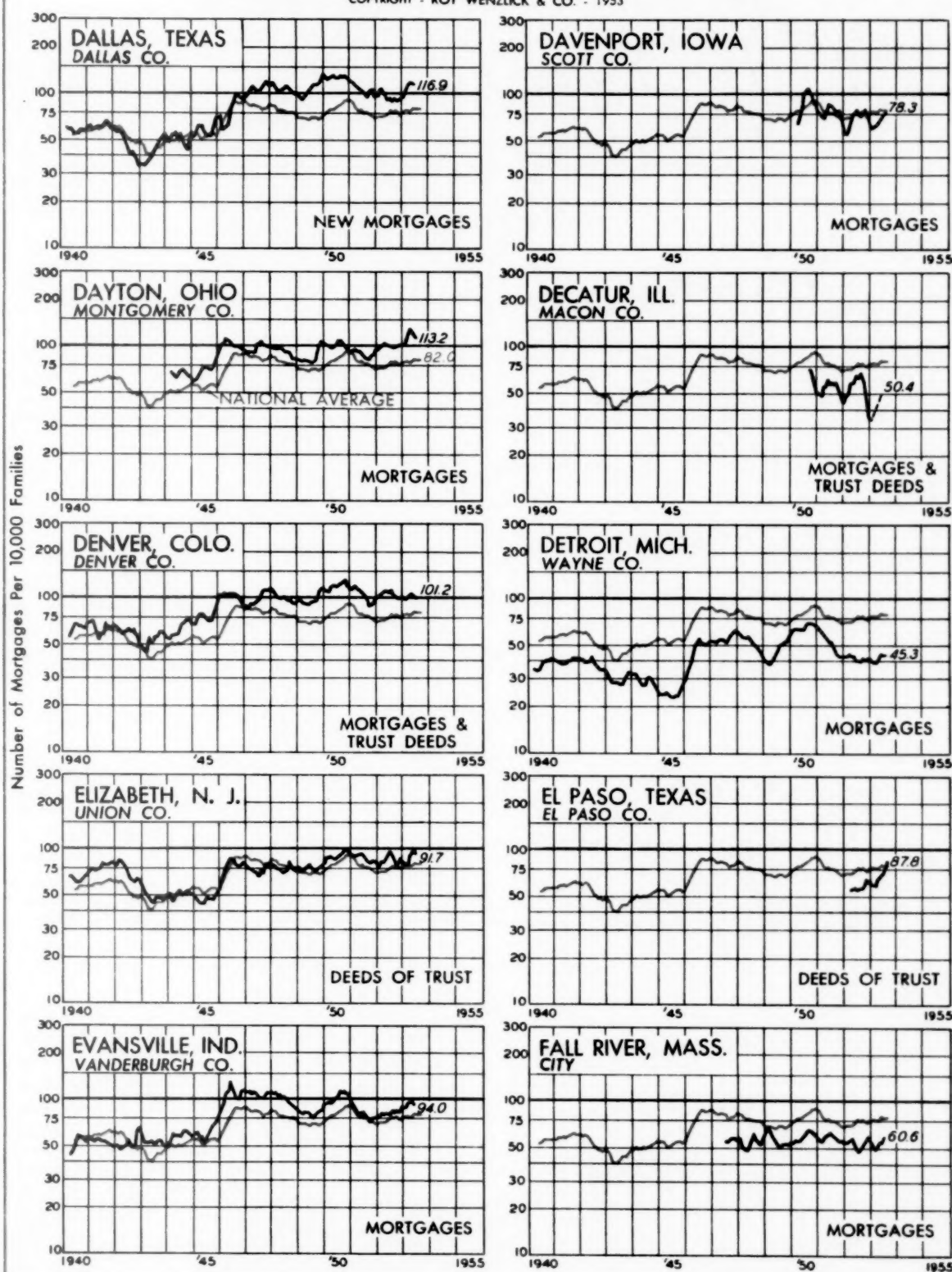
MORTGAGE ACTIVITY IN PRINCIPAL CITIES

COPYRIGHT - ROY WENZLICK & CO. - 1953



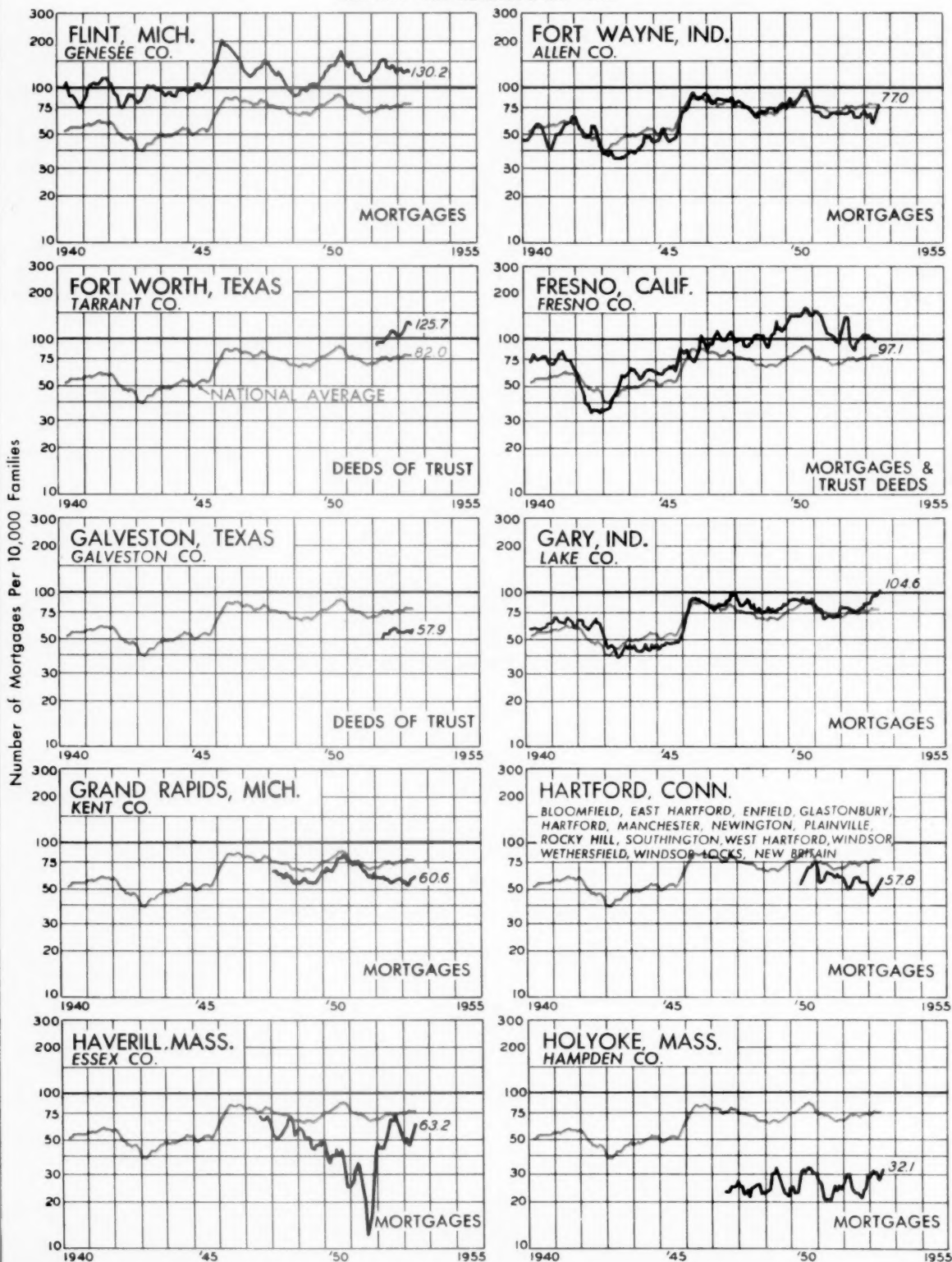
MORTGAGE ACTIVITY IN PRINCIPAL CITIES

COPYRIGHT - ROY WENZLICK & CO. - 1953



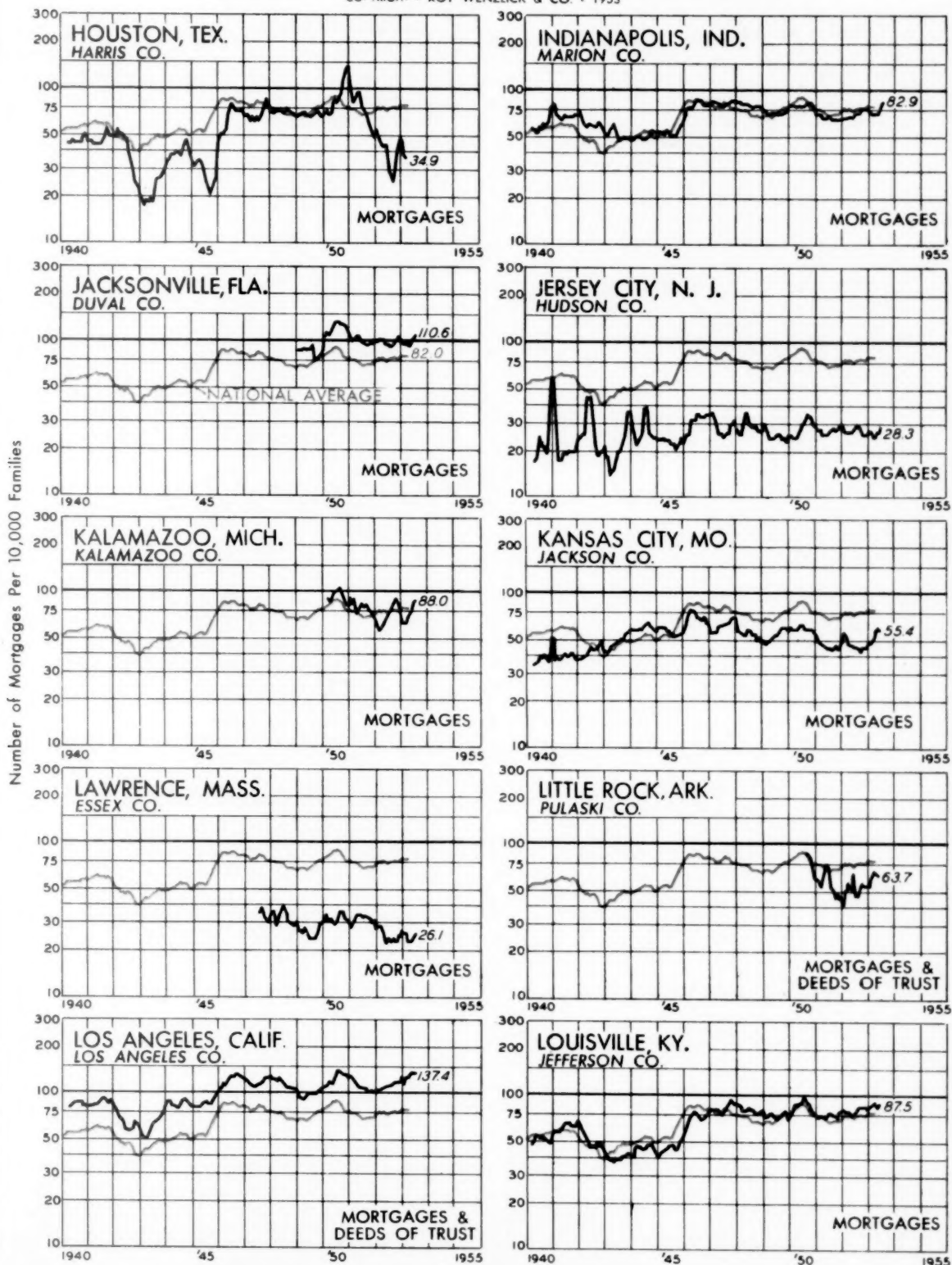
MORTGAGE ACTIVITY IN PRINCIPAL CITIES

COPYRIGHT - ROY WENZLICK & CO. - 1953



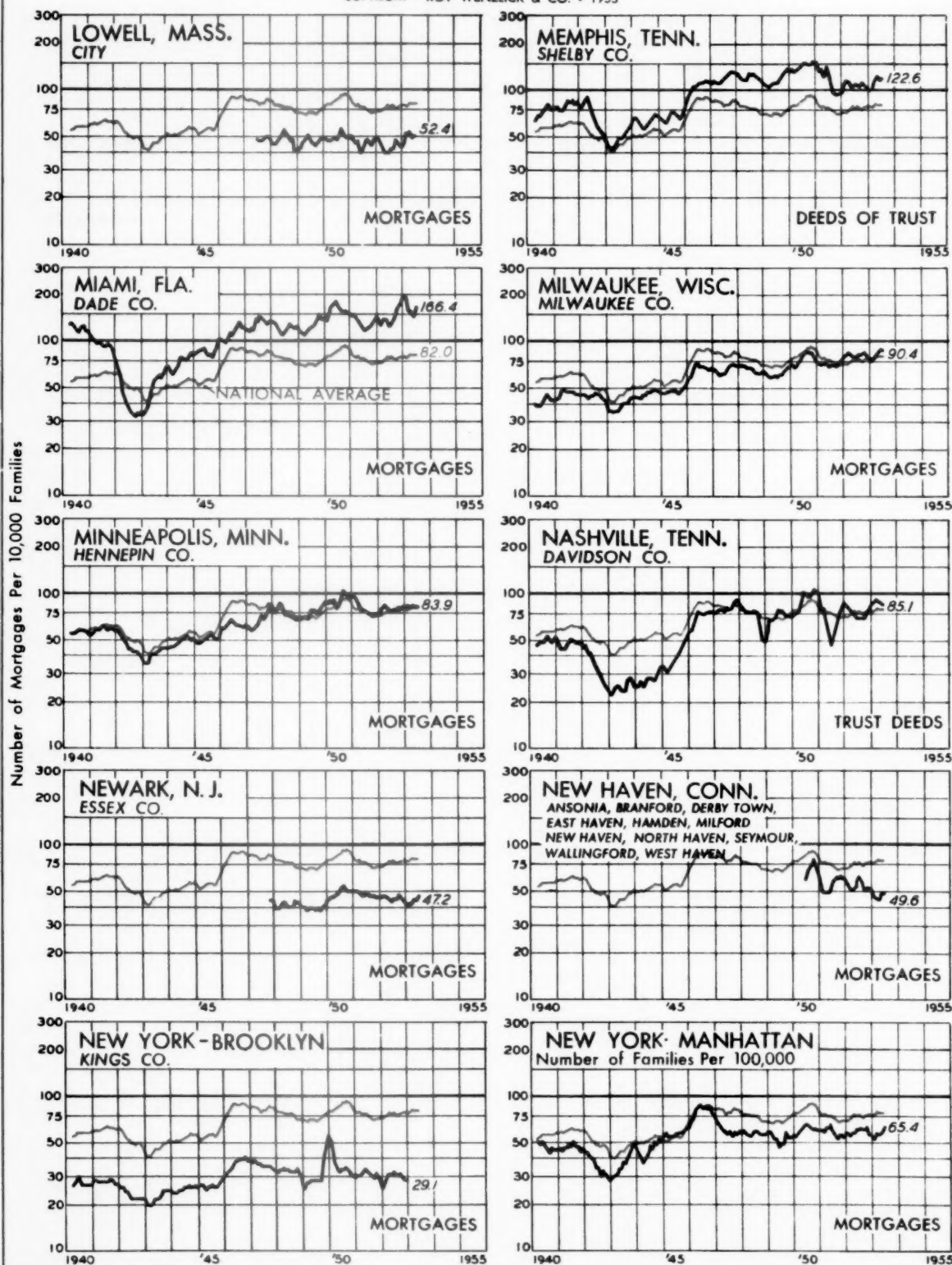
MORTGAGE ACTIVITY IN PRINCIPAL CITIES

COPYRIGHT - ROY WENZLUCK & CO. - 1953



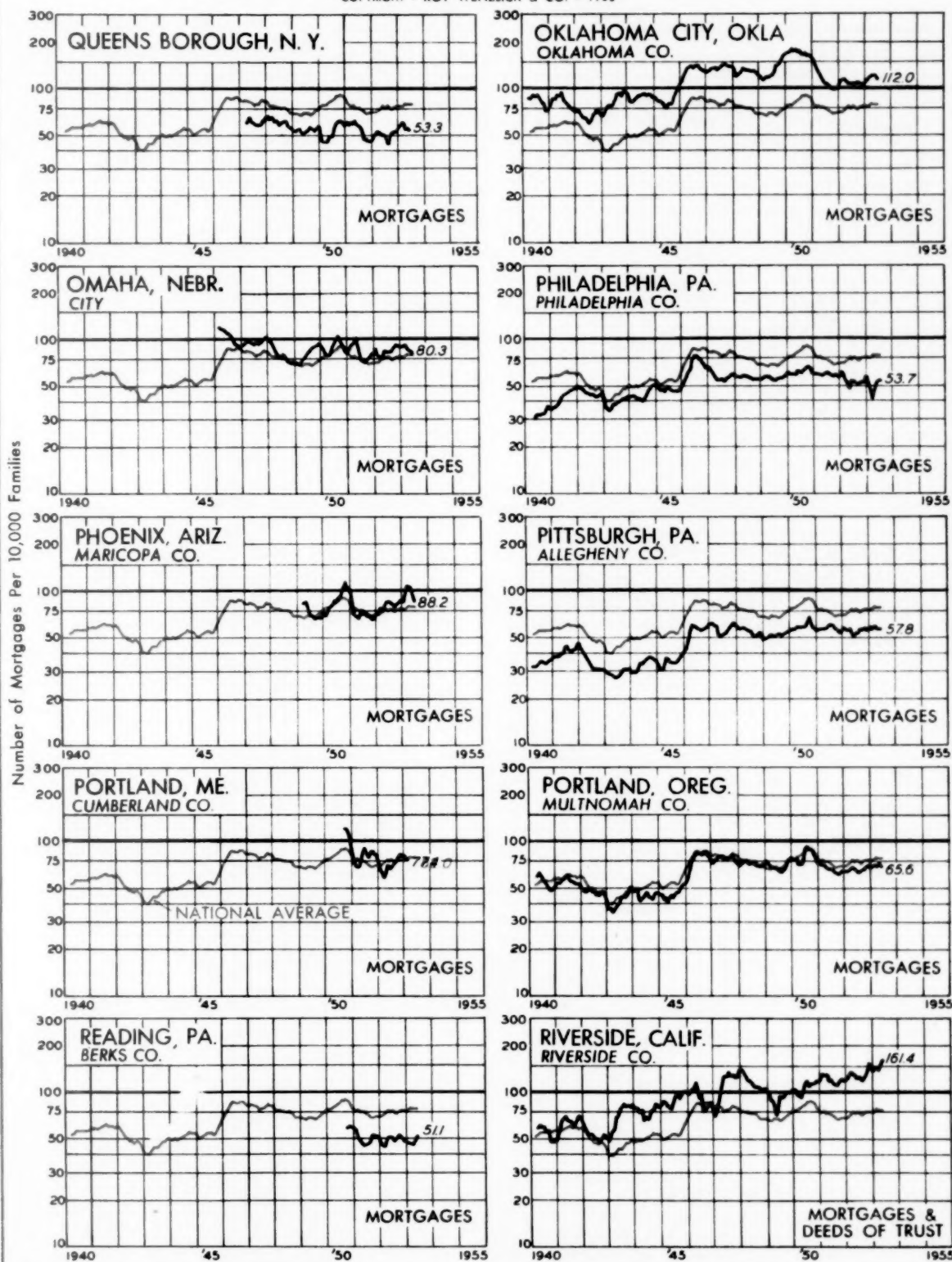
MORTGAGE ACTIVITY IN PRINCIPAL CITIES

COPYRIGHT - ROY WENZLICK & CO. - 1953



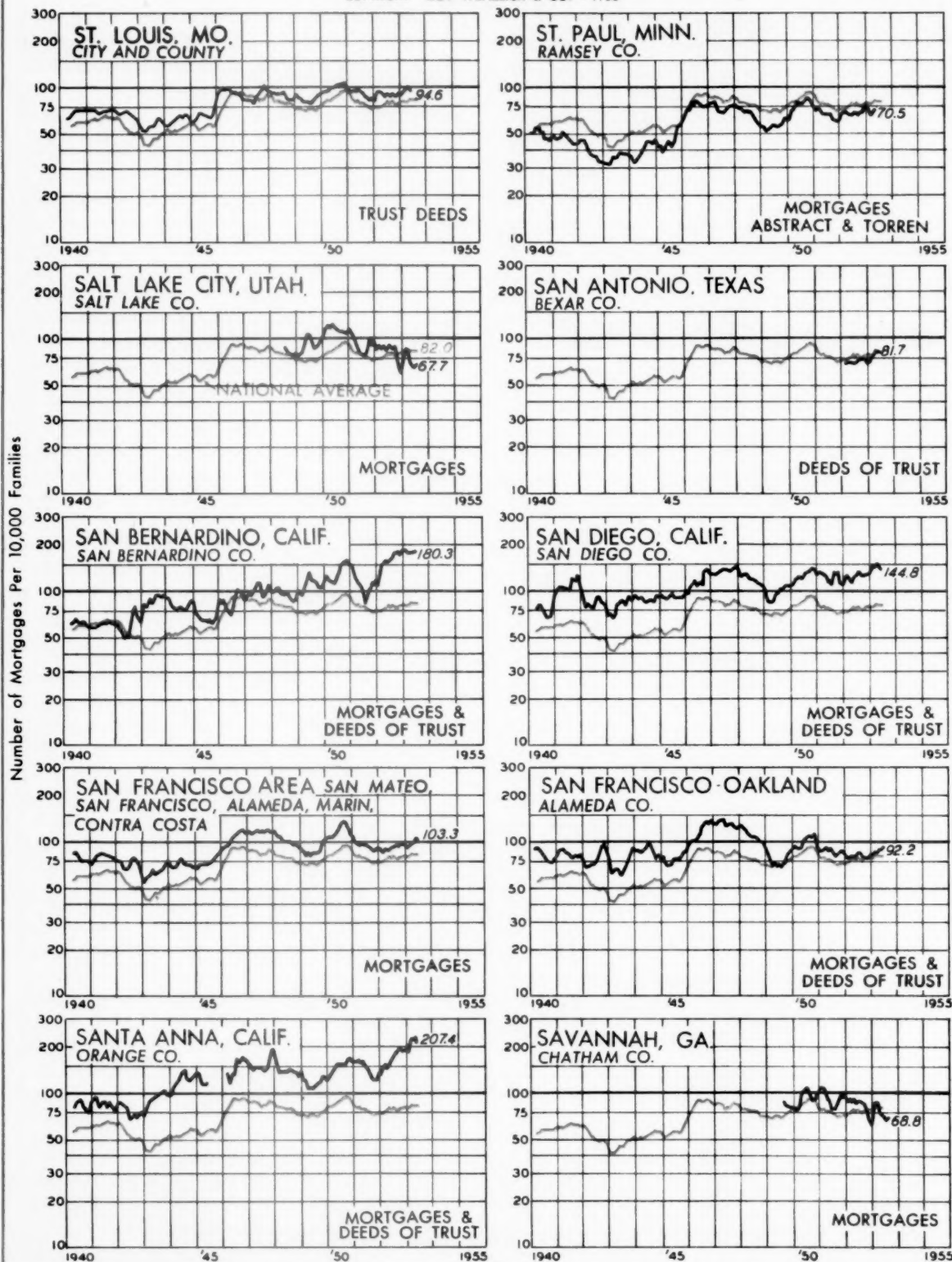
MORTGAGE ACTIVITY IN PRINCIPAL CITIES

COPYRIGHT - ROY WENZLICK & CO. - 1953



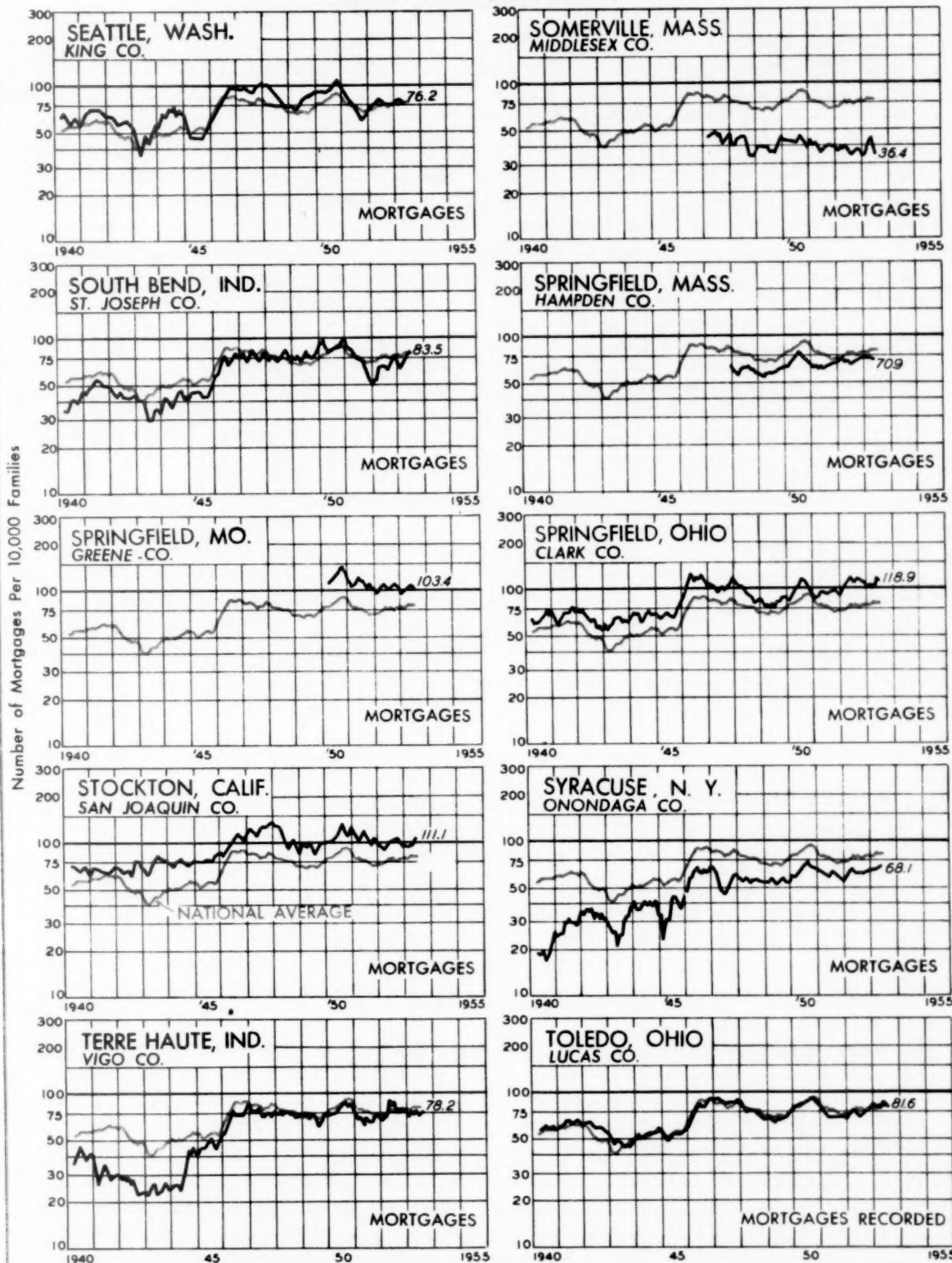
MORTGAGE ACTIVITY IN PRINCIPAL CITIES

COPYRIGHT - ROY WENZLICK & CO. - 1953



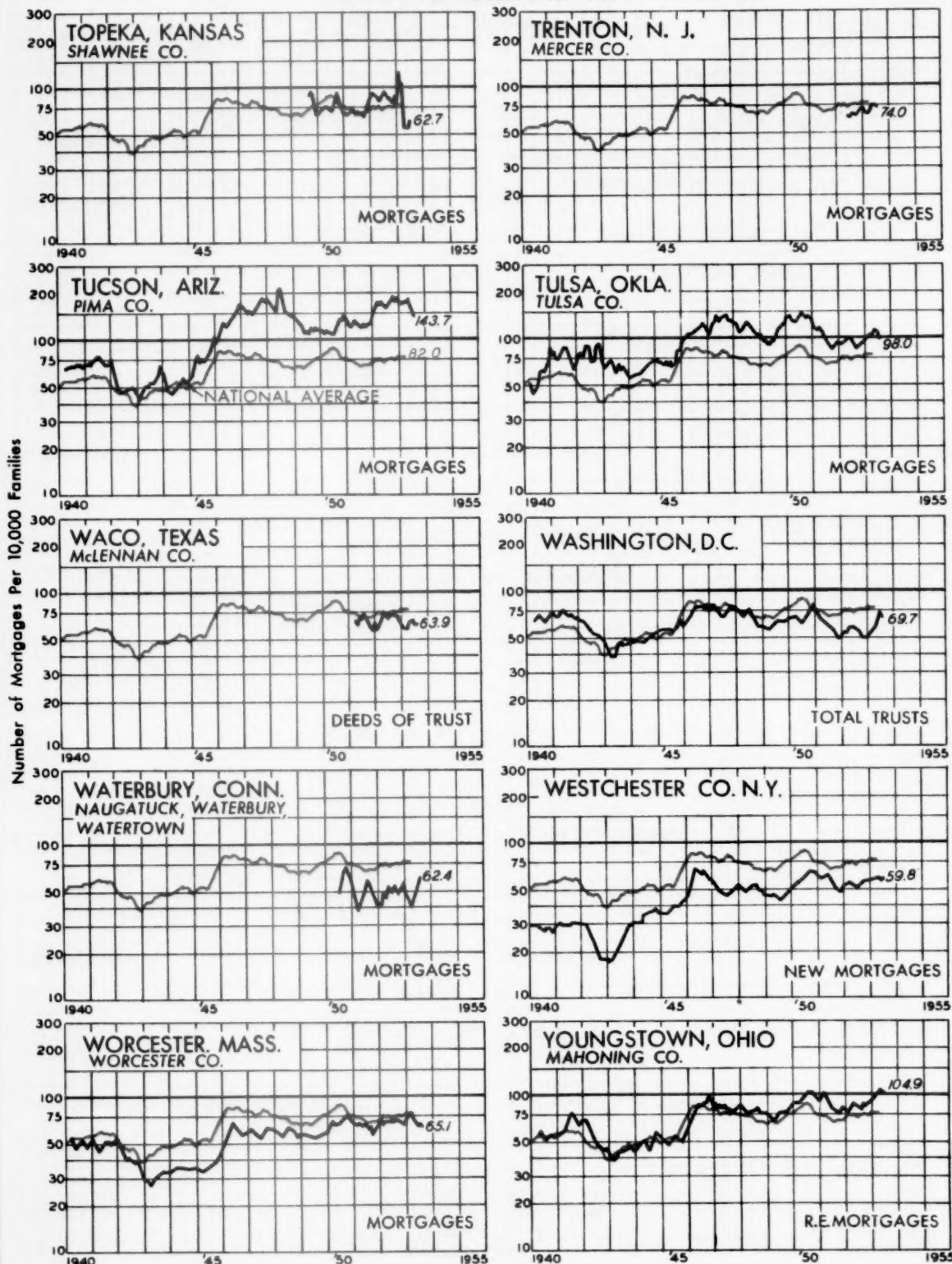
MORTGAGE ACTIVITY IN PRINCIPAL CITIES

COPYRIGHT - ROY WENZLUCK & CO. - 1953



MORTGAGE ACTIVITY IN PRINCIPAL CITIES

COPYRIGHT - ROY WENZLICK & CO. - 1953



MORTGAGE ACTIVITY IN 100 CITIES

(cont. from page 329)

many mortgages recorded in a year in relationship to the number of families as others?

In order to answer these questions, mortgage activity was first correlated with the number of new family accommodations built per 10,000 families, with the idea that a rapidly expanding city with a high rate of new building might have a far larger number of mortgages recorded than a mature city which was growing very slowly, and where the rate of new building was relatively low. This was not the answer, as we found practically no correlation between the rate of new building and the rate of mortgage recordings.

We next checked the number of voluntary transfers of real estate per 10,000 families with the mortgages per 10,000 families, and here we found that a rather close agreement existed. In the average city the real estate activity rate and the mortgage rate were quite close together. In other words, apparently mortgage activity is generated primarily by the sale of property, regardless of whether the sales are of new or of old properties.

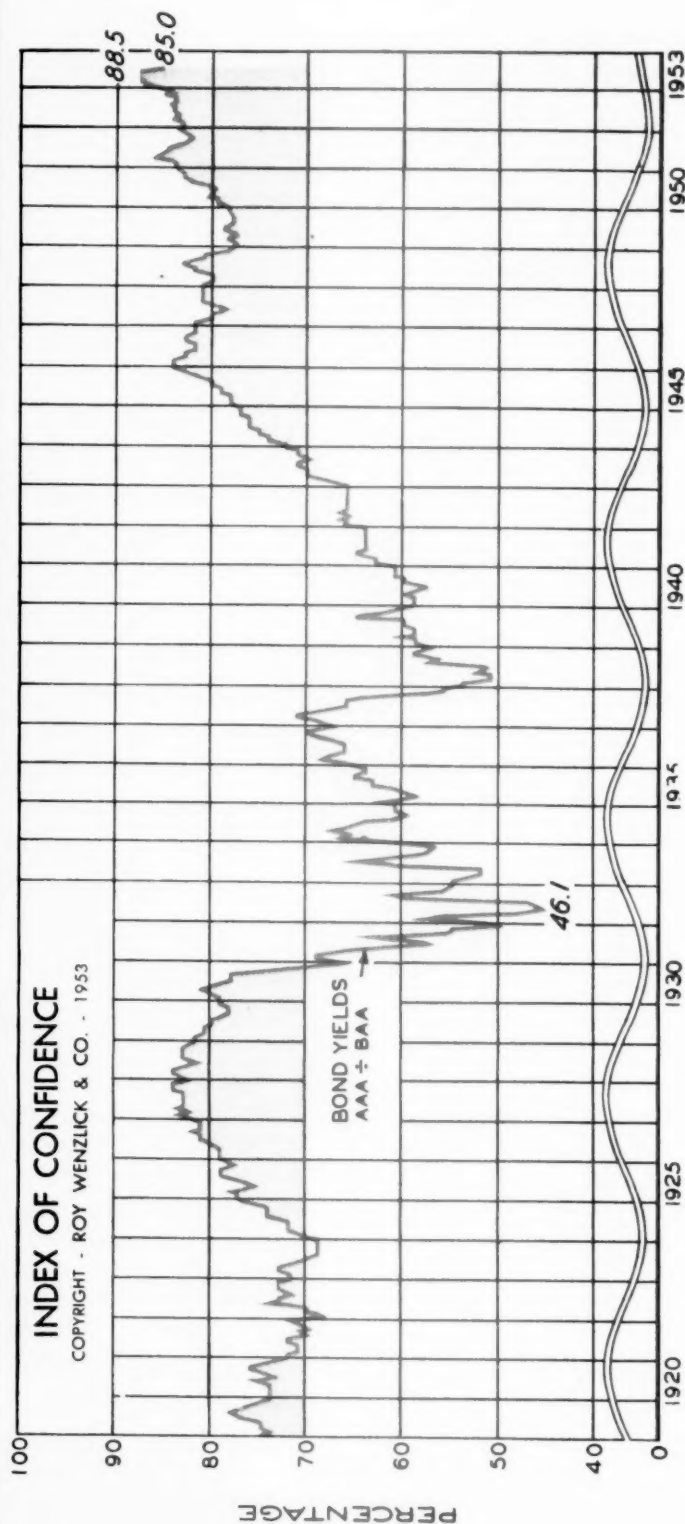
It is rather interesting to note that the number of mortgages in relationship to the number of families has shown a gradual increase from September 1951 to the present. This is rather remarkable in view of the constant complaints of builders and real estate operators that they find it impossible to secure mortgage loans in the present market. Were these figures unadjusted for changes in the population, the rise since September 1951 would be more striking than it is on the adjusted basis.

INDEX OF CONFIDENCE STILL QUITE HIGH

THE late General Leonard P. Ayres, one of the outstanding statisticians and economists of the United States, a great many years ago devised what he called "an index of business confidence." The index is derived by dividing the yields of Aaa bonds by the yields of Baa bonds. During the upswing and at the top of a business boom, investors frequently regard the issues of weaker corporations almost as favorably as they do those of the stronger corporations. These weak corporation bonds have generally risen rather rapidly in price as the marginal companies during a business boom increase their earnings from negligible amounts to substantial profits. Since most investors capitalize the present as a perpetuity, these bonds on less desirable companies rise in relationship to the bonds of the blue chip companies.

On the other hand, as business conditions show signs of worsening, investors begin to lose confidence in the earning outlook of the weaker corporations and become more interested in the safety of investment than in the current high return. As this attitude develops, the price of the Baa bonds begins to drop. Naturally, as the price of the bonds drops, the yield on the selling price of the bonds rises.

(cont. on page 342)



The chart above shows this index started by General Ayres brought up to date. The chart runs from January 1919 through July 1953. It will be noticed that while business confidence was fairly high following the close of World War I, from the middle of 1919 on, the general trend was down until the beginning of 1922.

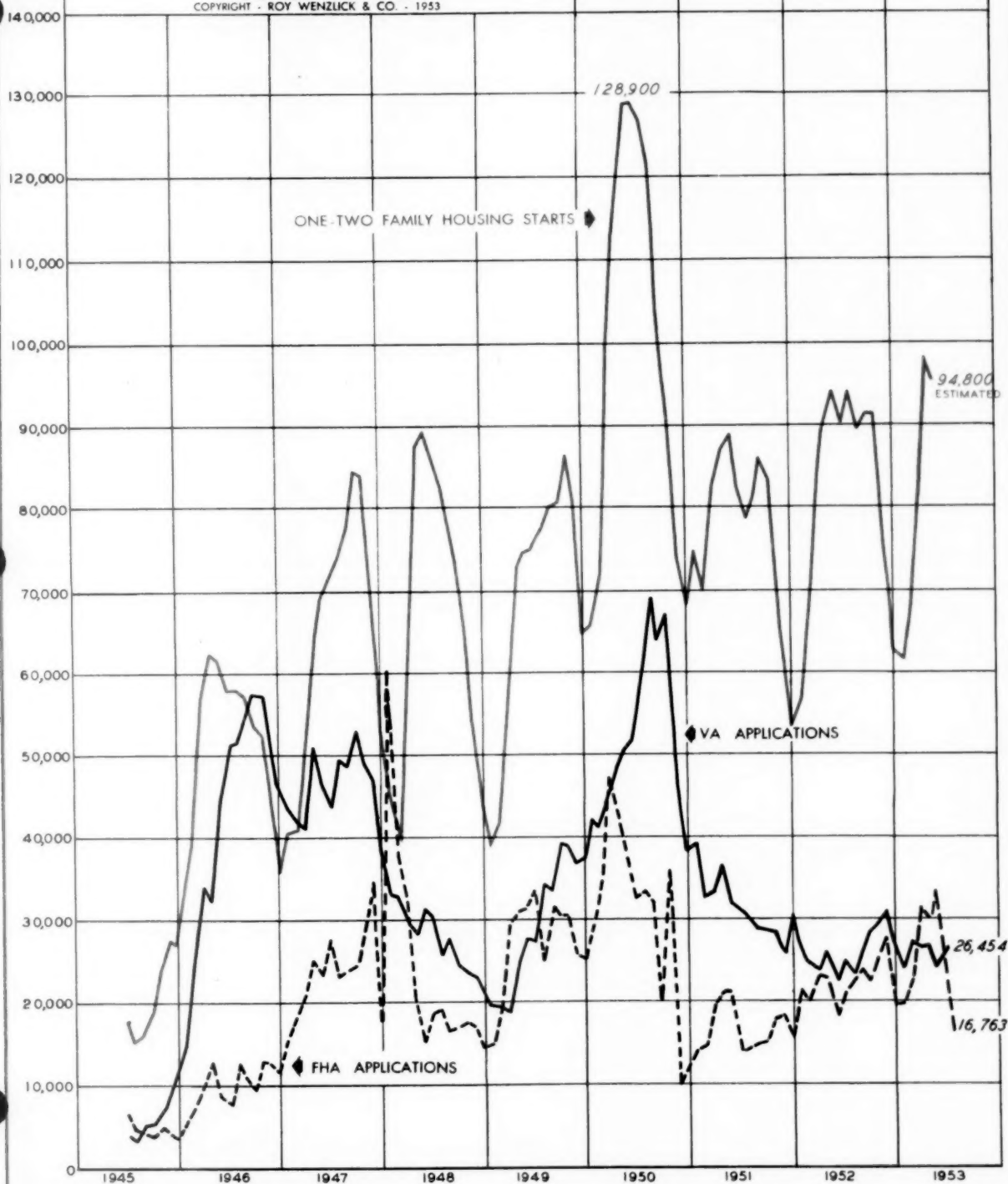
The rapid rise in business confidence that took place in 1924, 1925 and 1926 accompanied the beginning of the boom in the twenties. After 1927, the index of confidence started falling. It showed a slight recovery in the latter part of 1929, then a very rapid drop, reaching the lowest point in 1932, at a time

when world business conditions hit bottom. The effect of the depression of 1937 and 1938 is apparent, but from 1938 to the end of 1945 the index was working definitely and strongly upward. Since 1946, however, the index has remained relatively high, reaching its highest point in April 1953, at a level of 88.5. In May, the index was 88.4; in June, 88.1; and in July, 85.0.

It is probable from the behavior of this index that any collapse in general confidence will not occur in the immediate future. The boom apparently still has some time to run.

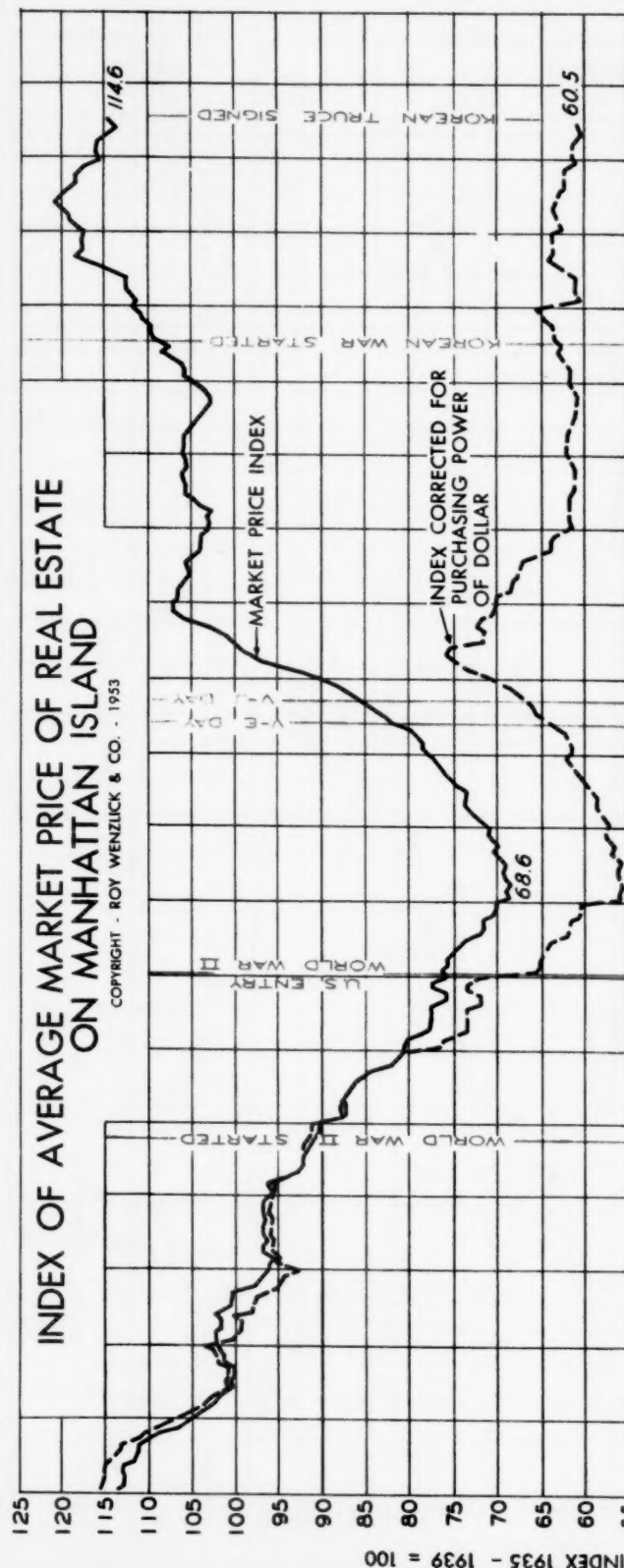
APPLICATIONS FOR GOVERNMENT INSURED LOANS

COPYRIGHT - ROY WENZLICK & CO. - 1953



INDEX OF AVERAGE MARKET PRICE OF REAL ESTATE ON MANHATTAN ISLAND

COPYRIGHT - ROY WENZLUCK & CO. - 1953



TRENDS IN MANHATTAN STILL DOWN

THE chart above shows that real estate on Manhattan Island advanced in price through 1946, then sagged during 1947, went through 1948 and 1949 without a great deal of change, but during 1950, 1951, and the first part of 1952 advanced rather definitely. From the middle of 1952 to the present the general trend has been down.

The second line on this chart shows the price changes in Manhattan real estate expressed in dollars of constant purchasing power for goods and services. Had we had such dollars, the recovery peak in May of 1946 would have been 24.4% below the January 1935 figure, and the figure for June 1953 would be 39.5%. In other words, the increase in

the selling price of Manhattan real estate since May of 1946 is an illusion. The price has gone up in dollars because dollars have gone down in purchasing power, but real estate has not gone up as far as the dollars have gone down.

If this index of the average market price, expressed in constant dollars, is compared with the index of real estate activity for Manhattan Island, it will be noticed that real estate activity also reached its peak in mid-1946.

An index of real estate activity for Manhattan Island is found in the November 28, 1952, Real Estate Analyst, page 503.